

National Nuclear Security Administration

A Change in Financial Management Culture?

**Presented to Joint FMSIC/BRC Meeting
April 26, 2000**

The Legislation

P.L. 106-65

- **National Defense Authorization Act for FY 2000**
 - **Sec 3252 - “ Those procedures shall, at a minimum, provide for the planning, programming, and budgeting of activities of the Administration using funds that are available for obligation for a limited number of years.”**

The Legislation

- **Sec 3253 - “The Administrator shall submit to Congress each year, at or about the time that the President’s budget is submitted to Congress that year...a future-years nuclear security program (including associated annexes) reflecting the estimated expenditures and proposed appropriations included in that budget.**
 - (1) The estimate expenditures and proposed appropriations necessary to support the programs, projects, and activities of the Administration during the five-fiscal year period covered by the program, *expressed in a level of detail comparable to that contained in the budget submitted by the President to the Congress”*

The Legislation

- **Sec 3295 - “(a) Compliance with Financial Principles -**
 - (1) The Under Secretary of Energy for Nuclear Security shall ensure that the compliance with sound financial and fiscal management principles specified in section 3252 is achieved not later than October 1, 2000
 - (2) In carrying out paragraph (1), the Under Secretary of Energy for Nuclear Security shall conduct a review and develop a plan to bring applicable activities of the Administration into full compliance with those principles not later than such date.”

DOE's Implementation Plan

DOE's Plan submitted on January 1, 2000 as requested by Congress

- Does not address issues of limited period appropriations or five year detailed budgets**
- DOE Plan simply states:**
 - “ The NNSA, as part of DOE, will employ the financial and fiscal management principles of the DOE, including DOE's planning, programming, budgeting, and financial management improvement processes.”**

DOE's Implementation Plan

- “Thus, by employing the financial and fiscal management principles of the DOE, NNSA compliance with sound financial and fiscal management principles specified in sections 3252 and 3295 of Title XXXII...will be ensured...”
- “The Department's current processes will permit the NNSA the flexibility to address its own unique mission requirements.”

Congress's Assessment of Plan

**House Armed Services Committee
commissioned a report assessing DOE's
Implementation Plan.**

**GAO also requested to review
Implementation Plan**

**Internal Assessment Report Issued
February 2000 and GAO testimony early
March**

Congress's Assessment of Plan

Notable quotes based on the reviews:

– Honorable Floyd Spence, Chairman House Armed Services Committee

“ Unfortunately, I have serious concerns about the Department's efforts to date. A careful review of the implementation plan suggests that the goal of the Department was not to implement the fundamental changes required by law, but rather to ensure that the existing organizational structure, lines of authority, and fiscal and managerial practices of DOE remain intact.”

Congress's Assessment of Plan

– GAO's Ms. Gary L. Jones (testimony before Congress)

“In summary, the Implementation Plan establishes a framework for the creation of the NNSA, but it is not really a detailed roadmap that would position NNSA to correct DOE's longstanding problems. DOE's Implementation Plan simply transfers many of DOE's historic shortcomings to NNSA. In particular:

- NNSA is taking a “business as usual” approach to planning, programming, budgeting and securing skilled technical staff instead of affecting needed change as part of the Implementation Plan.”

What's this all mean?

**There is real potential for a
significant culture change in
financial management affecting
large segment of DOE**

We better be prepared

Preparation

If you have NNSA work to be performed at your site

- Establish Joint DOE/Contractor team and do the following:**
- Review the following:**
 - P.L. 106-65**
 - DOE Report to Congress on Limited Period Funding (October 1998)**
 - DOE-CFO General Guidance on One-Year Appropriations (February 24, 1998)**

Preparation

- Review the following (Continued)**
 - Procurement and Financial Guidance to Supplement CFO General Guidance on One-Year Appropriations (February 3, 2000)**
 - GAO Principles of Federal Appropriations Law (Red Book) - Chapters 5 & 6**
- Evaluate DOE and contractor accounting system changes needed to perform funds control of and accounting for limited period appropriations**

Preparation

- Evaluate budget execution strategy to minimize risk of loss of appropriated funds
- Evaluate contractor budget system capability to provide detailed 5 year budget plans
- Establish site-wide understanding of bona-fide needs rule and severability
 - train procurement, financial, and program officials

Preparation

- **Keep close eye on Congressional action in marking up FY 2001 Appropriations bills**
 - **This will indicate how serious Congress is in pushing these financial reforms**

Things to be Mindful of

Obligation of funds to contractors

- DOE (not contractors) responsible to assure funds being obligated represent bona fide needs of the fiscal period
 - “Year-end dumping” is illegal under limited period appropriations not just a “bad practice”
- However, contractors must understand rules
 - Must request funding only for bona-fide needs of the current fiscal period

Things to be Mindful of

Must maintain a reserve for obligational adjustments in future fiscal periods

Contractor accounting systems must be capable of segregating one years' funds from the next

- New job order numbers each year**
- Uncosted balances charged only to bona-fide needs established in prior periods**

Things to be Mindful of

Financial managers, program/project managers and procurement officials all share responsibility for determinations as to legal use of limited period appropriations.

- However, Contracting Officers are final determining officials**
 - Expect increasing challenges from contracting officers who begin to better understand the rules**

Things to be Mindful of

Major Construction Projects should be fully funded upfront under limited period funding

- **Conceivable that design could be separately funded from construction activity as two separate bona-fide needs**
- **DOE seeking retention of no-year funding for such projects given apparent Congressional desire to continue to incrementally fund them.**

Things to be Mindful of

Need to develop future budgets in conformance with limited period appropriation requirements.

- Full, upfront B/A for non-severable work**
- FASA considerations for B/A needs for severable subcontracts**

Summary

Great uncertainty as to what Congress will do for FY 2001 appropriations for NNSA

On-going negotiations between DOE and Congress relative to Implementation Plan

Possible legislative modifications given negotiations taking place

Who knows??? Be prepared!!!